

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

B= Foundation
C= State
x= Scholarship Amount

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g) (1) of the Internal Revenue Code, dated July 6, 2009.

Our records indicate that you, B, were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that B will operate a scholarship program. The purpose of the program is to provide scholarships to high school graduates born in the state of C. B expects to award nine to thirteen scholarships per year in the amount of x, made payable to a qualified educational institution. The grants would be specifically for tuition, textbooks, and on-campus or school operated room and board services at a vocational institute, university, or college.

Eligible applicants will be high school graduates born in the state of C. The scholarships are advertised on B's website.

To apply, an individual must complete an application packet that is postmarked no earlier than January 1, and no later than June 1, of the year of graduation. Incomplete applications will not be considered eligible for scholarships. A complete application packet includes 1) the application form, 2) an applicant's statement, 3) employment history, 4) contact information for three references, 5) a copy of a certified birth certificate of the applicant, 6) a copy of the acceptance letter from the institution the applicant will be attending, and 7) a complete copy of their most recent high school transcript.

Applications for the continuation of scholarships will include a complete application packet as outlined above, plus the year's end transcript from the institution the applicant attends. Scholarships shall be awarded by August 15th.

The selection committee consists of two law professionals who are familiar with B. The selection criteria will be: (a) academic performance (past and present), (b) community participation, (c) financial need, and (d) not be a disqualified person as defined in section 4946(a) of the Code.

Scholarships and Grants will be awarded by the selection committee. Selection is made on a nondiscriminatory, objective basis based on the aforementioned criteria.

An applicant will be notified via US Mail of their acceptance and further outlining the requirements to maintain the scholarship.

The procedures for the confirmation of the terms and conditions of the award are as follows: Each recipient will be required to sign and return to B an attachment to the letter outlining the terms of the scholarship.

B will pay scholarship funds directly to the educational institution. Such arrangement will include an agreement with the educational institution that the funds will be used to defray the recipient's expenses for tuition, textbooks and on-campus or school operated room and board services.

Any portion of scholarship funds not used during the scholastic year of the designated scholarship must be returned to B. Failure to comply with these terms will require the scholarship recipient to repay B for the entire scholarship. Random reviews of the scholarship amount used, details of how it was used and confirmation that the student completed their courses will be held at the discretion of B.

B will retain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that B undertook the supervision and investigation of grants.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);

- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c) (1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d) (3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j) (3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements